

FY 11 Operating Budget Forum Upcounty County Regional Services Center

January 11, 2010

Prepared by
the Office of Management & Budget and
the Department of Finance

www.upcountycountync.gov

County Executive Priorities

1. Affordable Housing in an Inclusive Community
2. Children Prepared to Live and Learn
3. An Efficient and Effective Transportation Network
4. Healthy and Sustainable Neighborhoods
5. Responsive, Accountable County Government
6. Safe Streets and Secure Neighborhoods
7. Strong and Vital economy
8. Vital Living for All of Our Residents

Operating Budget Process

- MCG Departments Prepare Submissions: Sept-December
- Agencies submit budgets to County Executive/Council – December/January
- OMB Reviews Submissions and Makes Recommendations to County Executive December - March
- County Executive Transmits Budget to the County Council on March 15
- County Council Public Hearings Early April
- County Council reviews budgets April – May
- County Council Approves Budget and Taxes – by June

Two Budgets

- Operating Budget: Services
 - K-12 education
 - Community College education
 - Public safety: Police, Fire, Courts, Corrections
 - Transportation: Roads, Traffic, Bus
 - Social Services: Health, Income Maintenance, other
 - Environmental protection
 - Parks, recreation, and libraries
 - Land use planning and regulation
 - Trash collection and disposal
 - Economic development
 - Debt Service
- Capital Budget: Facilities
 - Schools, College facilities
 - Roads and bridges
 - Water and sewer facilities
 - Information technology infrastructure
 - Libraries
 - Police and fire stations
 - General government facilities

Results Based Budgeting

- Transition from Incremental Based Budgeting
- Evaluate existing programs and requests for new services, improvements and expansion in terms of:
 - Direct, measurable contribution to County Executive priority results
 - Community Wide Indicators
 - Department Performance Plans
 - Departmental Program Measures
 - Contributing/Restricting Factors and Trends
 - Evidence based strategies
 - Partners/Collaboration

Operating Budget

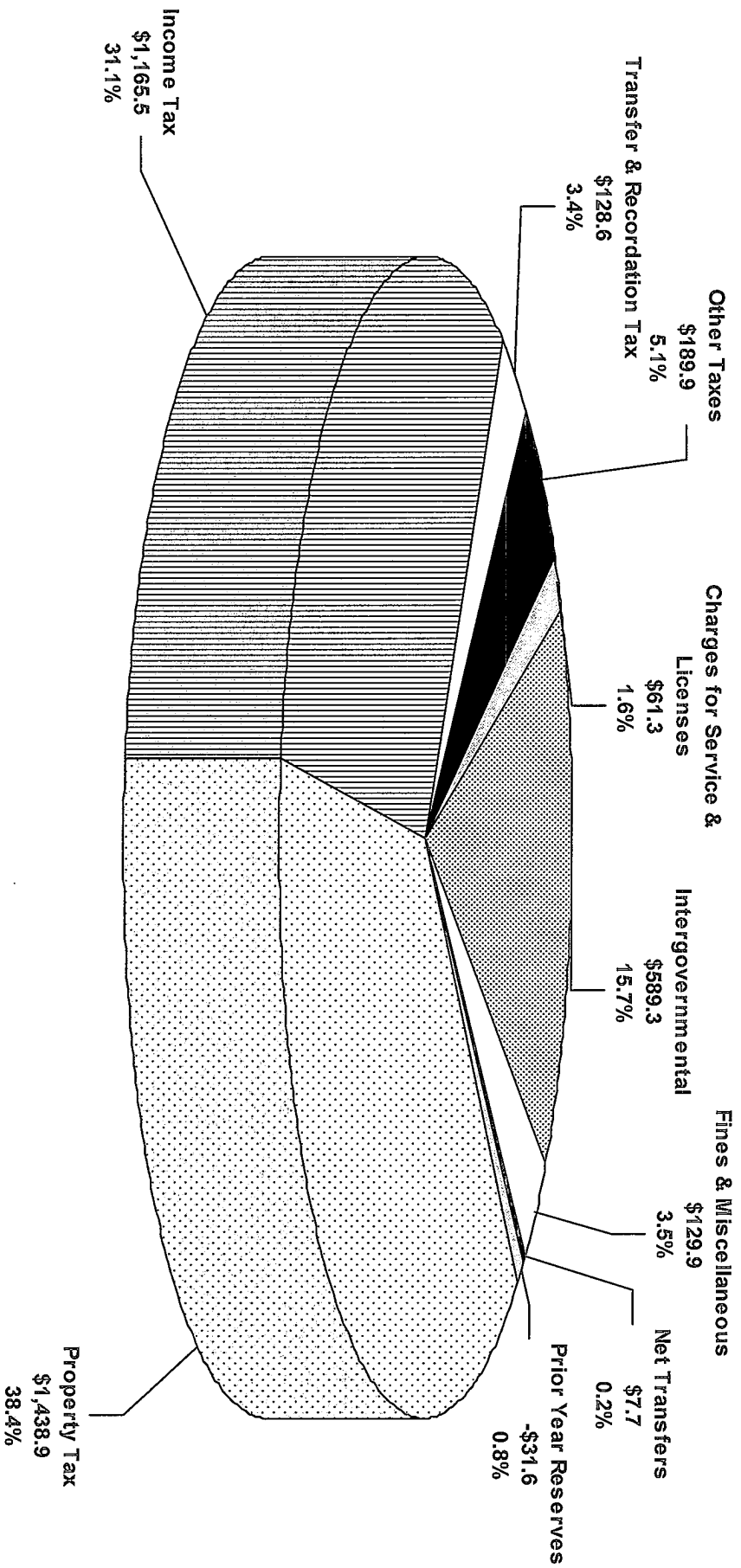
- County Budget is divided into two parts: Tax Supported and Non Tax Supported
- Tax supported side of the budget only, excludes grant and self-supporting funds (non-tax supported funds)
- Grants and Self Supporting funds are self sustaining and largely not subject to fluctuations in tax receipts.
 - Total Non Tax Supported Funds: \$627.1 M;
 - Grants: \$259.7 M. and
 - Self Supporting funds: \$367.4 M.

County Executive's Fiscal Plan

- Resources
 - Prior year fund balance
 - Net transfers
 - Revenues
- Uses of Resources
 - Current revenue to support the Capital Budget
 - Debt service
 - Year-end reserves
 - Agency expenditures

FY11 TAX SUPPORTED FISCAL PLAN SUMMARY

TOTAL PROJECTED RESOURCES - \$3,679.3 (million)



FY 11-16 Fiscal Plan

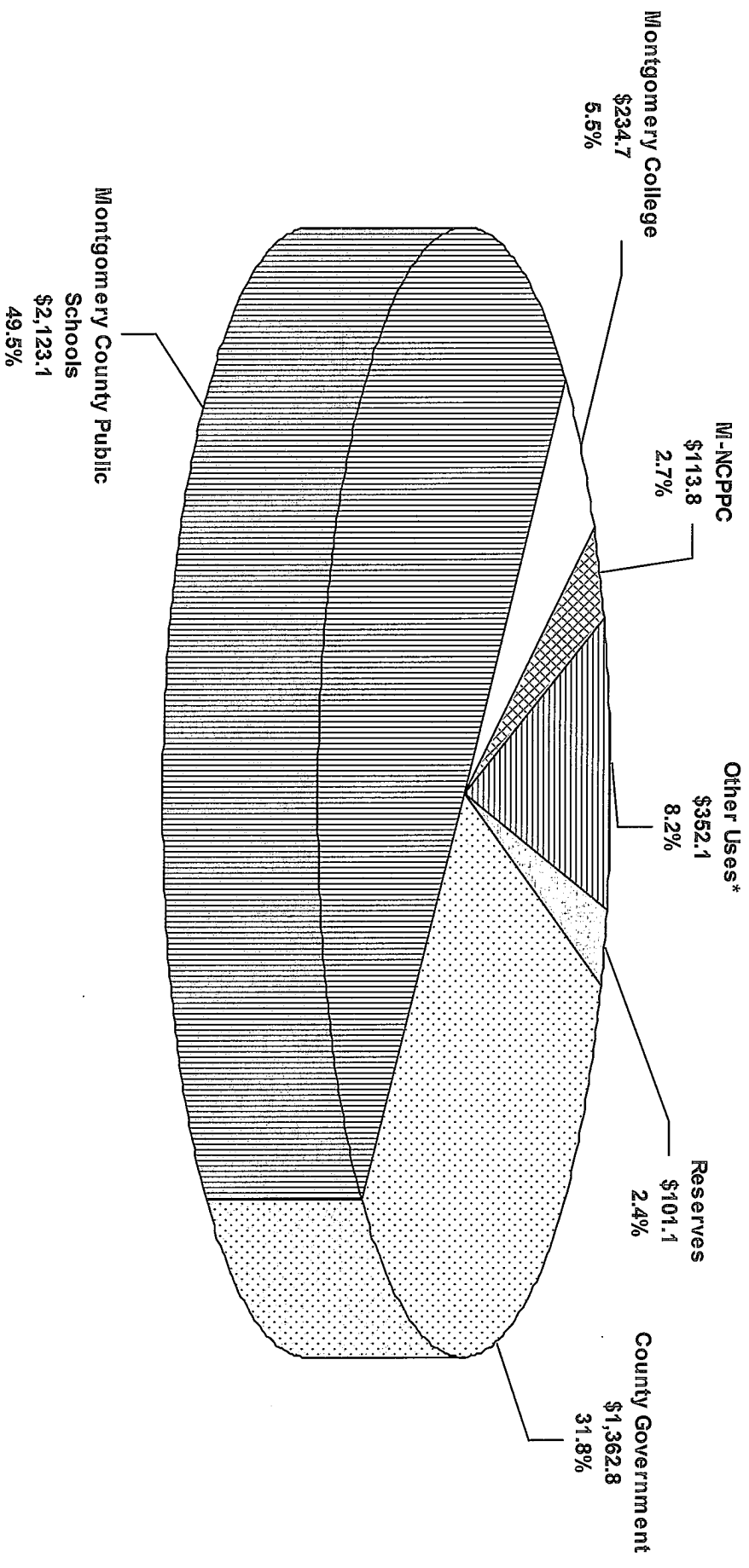
Selected Fiscal Assumptions: Resources

- Property tax revenues are projected at the Charter Limit
- Other tax revenues and user fees are projected at their current rates
- Latest Revenue Estimates indicate decline in anticipated revenues of approximately \$270 million compared to estimates assumed at the time the FY 10 budget was approved
- Full funding of existing intergovernmental aid formulas except where State Board of Public Works approved reductions
 - State Aid for Schools – including GCEI
 - Does not include any repayment to the State related to the calculation of the K - 12 Maintenance of Effort

FY11

TAX SUPPORTED FISCAL PLAN SUMMARY

TOTAL PROJECTED USES OF FUNDS - \$4,287.6 (million)



*This total covers funds to support Capital Investment including Debt Service, CIP Current Revenue, and Paygo.

FY11-16 Fiscal Plan

Selected Fiscal Assumptions: Expenditures

- Expenditures at same services estimate of next year's expenditures and specific major known commitments used to demonstrate the costs and challenges that exist in the budget
- Retiree Health Insurance phase-in included in agency operating budgets at scheduled FY11 amounts
- \$0.3 million in approved supplemental appropriations
- \$19.7 million set aside in FY10 for pending and potential supplemental appropriations (FY09 \$19.7 M)

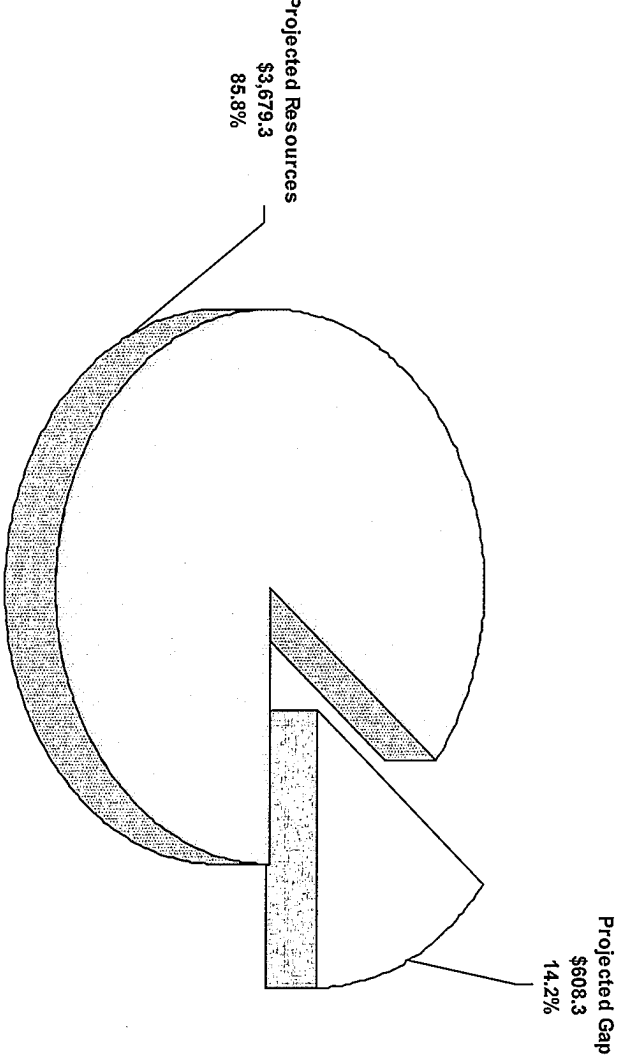
County Executive's Fiscal Plan

- Gap is difference between total projected resources and total projected uses
- The budget is balanced when projected resources are equal to all projected uses, including the funding of reserves to the policy level

FY11 TAX SUPPORTED FISCAL PLAN SUMMARY

TOTAL PROJECTED USES - \$4,287.6 Million

- While the gap increased from almost \$370 million to nearly \$610 million, the following measures were implemented or continued to contain and minimize it:
- A hiring freeze began during FY08 continued in FY09 and FY10.
 - Decreased FY10 spending by \$29.8 million across all agencies.
 - Initiated a second round FY10 savings plan and accelerated selected proposed FY11 cuts in the current fiscal year.
 - Implemented a procurement freeze.



Actions Taken to Date

- Hiring Freeze effective January 3, 2008
- Liquidation of selected outstanding contracts
- FY10 Savings Plan: Identified savings of \$29.8 million:
 - County Government: \$16.6 M.
 - Public Schools: \$9.9 M.
 - Montgomery College: \$1.1 M.
 - MNCPPC: \$2.2 M.
- Second FY10 Savings Plan anticipated to save \$50-70 million

FY 11 Fiscal Outlook

- Major expenditure pressures:
 - Compensation and benefits
 - Continued phase-in of pre-funding retiree health insurance benefits
 - Operating Cost of Capital Facilities (Schools, College, other)
 - Information Technology: Staffing, maintenance & license agreements, hardware replacement
 - Costs to *sustain* investments in education, public safety staffing, health care for uninsured, other health and human services, affordable housing, and other critical programs
 - Unavoidable cost increases related to:
 - energy costs: fuel and utilities,
 - insurance,
 - health care,
 - pensions, and
 - occupational medical services

FY 11 Fiscal Outlook

- Major expenditure pressures (continued):
 - Deferred infrastructure maintenance – information technology, facilities, and roadways
 - Compliance with external mandates (e.g., HIPAA, ADA, etc.)
 - Operating impact of new facilities – libraries, schools, college, recreation centers, fire stations
 - Increasing student enrollment
 - Demand for new and enhanced services including expanded health care for the uninsured, early childhood education, subsidies for developmental disability service providers

FY11 Fiscal Outlook

Risk and uncertainty:

- State Aid reductions: State agency implementation of directed expenditure reductions (e.g. reduction in formula aid, reimbursements, pressure for County to replace lost state funding, etc.) to close the State's projected \$2 billion gap
- Potential shifting of State responsibilities to local governments
- Further deterioration of the economy and its impact on local tax revenues and the demand for services
- Income tax: prolonged impact of equity market declines, wage freezes, stagnant job growth, and layoffs
- Cost and Price Spikes: Weather/Snow Removal; fuel and energy prices; food prices; etc...

Options to Solve the Gap:

- Compensation changes including no general wage adjustments (COLAs) or step increases, or benefit modifications (needs collective bargaining concurrence)
- Furloughs across all county agencies
- No retiree health insurance (OPFB) pre-funding
- Reduce reserves from 6 to 5 %
- Eliminate most PAYGO from the capital program
- Service reductions, program eliminations, employee layoffs
- Looking for continuing cost savings because the fiscal problem is long term and structural for both the County and the State.

Community Participation

- Letters/emails to County Executive and Councilmembers
- Boards, Commissions, and Advisory Board members are appointed by the County Executive, and confirmed by the County Council.
- Executive Branch sponsored budget forums across the county, where residents and businesses provide input on their priorities.
- County Executive meets with business leaders, directors of non-profit organization, and other advocacy groups.
- County Charter requires Council to hold a public hearing not earlier than 21 days after receipt of the budget from the Executive.
- Public hearings related to budgets, legislation, and regulations are advertised in local press.
- Councilmanic town meetings.
- Letters to local press
- Citizen participation groups (Taxpayer's League, etc.)